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A pale winter sun silhouettes an exploratory drill rig in the Zama area of northwestern Alberta and represents the increasing oil and gas exploration activity of Canadian Industrial Gas & Oil Ltd. CIGOL is 67% owned by Northern and Central.

NORTHERN AND CENTRAL GAS CORPORATION LIMITED

Currently around \$20, the shares of Northern and Central Gas Corporation Limited are up sharply from their 1968 low of \$10.25. However, with an uptrend in earnings per share re-established, and with the significant speculative possibilities of the Company's 80%-owned Canadian Industrial Gas and Oil subsidiary, the shares remain attractive on a medium and longer term basis. The company recently raised the common dividend from 50¢ to 60¢ annually.

THE COMPANY

Originally incorporated in 1954 as Northern Ontario Natural Gas Co. Ltd., for the purpose of distributing natural gas in northern Ontario, the Corporation has in the past five years expanded greatly by acquisition of other concerns and by large capital expenditures. The present title was adopted in January 1968.

Today the gas distribution system extends some 1,250 miles eastward from Greater Winnipeg to a point about 80 miles north of Toronto serving major towns and cities, mining camps and forest industry developments and other industrial activities in the area. A second distribution system extends 200 miles along the heavily populated north shore of Lake Ontario from Port Hope to Cornwall.

Quebec Natural Gas, a 70% owned subsidiary serves the island of Montreal and surrounding areas. Canadian Industrial Gas and Oil Ltd., (80% owned) is engaged in exploration for and development of oil and natural gas reserves in Western Canada, the Arctic Islands, Texas and the North Sea. Mineral exploration is also conducted in Saskatchewan and in north Wales.

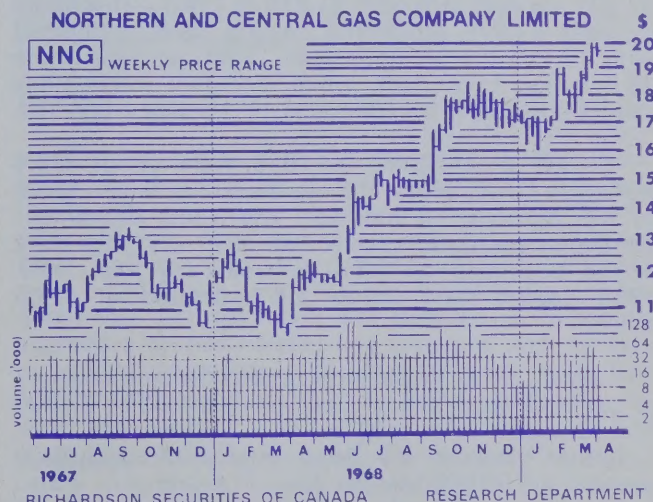
The distribution system, serving communities with a combined population of 3.8 million, consists of approximately 4,837 miles of transmission and distribution lines connecting at about 60 points with the main transmission line of Trans-Canada Pipe Lines Ltd.

INDEX

Volume 24	Issue 4	April 1969	Page
NORTHERN AND CENTRAL GAS CORPORATION LIMITED.....			1-5
QUOTATIONS			
Common Stocks, Mutual Funds.....			6-7

RECENT HISTORY

In 1965, the Company began a major programme of acquisition and diversification, beginning with the purchase of control of Lakeland Natural Gas in February 1965, and a subsequent offer to remaining shareholders in the summer of 1965. Lakeland is now merged with the Ontario utility operations of Northern and Central. In December 1965, the Company acquired the Greater Winnipeg Gas Company and in June 1966 acquired about 90% of Canadian Industrial Gas and Oil Ltd. (CIGO) through a share exchange. In 1968,



Northern and Central sold about 10% of its CIGO holdings, reducing its interest to 79½%. In March 1967, Northern and Central acquired about 65% of Quebec Natural Gas shares, subsequently financed through the sale of convertible preferred shares. During 1968, Northern augmented its holdings of Quebec Natural Gas by open market purchases, and by year-end held 69.9% of the stock.

VERSION FRANCAISE ENVOYÉE SUR DEMANDE

The Company now operates four major divisions: The Quebec division (mainly Quebec Natural Gas), the Ontario division (basically the original company plus Lakeland), the Manitoba division (Greater Winnipeg Gas) and the Alberta division (Canadian Industrial Gas and Oil).

QUEBEC DIVISION

Gaz du Quebec, Inc., was incorporated in 1967 as the wholly-owned operating subsidiary of Northern and Central in Quebec. In addition to the 70% holding of Quebec Natural Gas, Gaz du Quebec owns the propane-air distribution system in Sherbrooke and the natural gas facilities in Trois Rivières. Further expansion of natural gas service in Quebec will be undertaken through this Company.

Quebec Natural Gas' 1968 earnings showed a sharp increase to \$4.4 million from \$1.8 million in strike-affected 1967. Major reasons for the increase included an aggressive marketing programme and rate increases which came into effect January 1, 1968.

Gas appliances connected during 1968 totalled 37,501, up over 70% from 21,816 in 1967. This figure includes 17,875 residential heating units, compared with 10,410 the previous year. Firm gas sales were 28.6 billion cubic feet, while industrial interruptible sales amounted to an additional 12.1 billion cubic feet.

Capital expenditures in 1968 were about \$26.4 million in 1968, almost double the \$13.8 million spent in the previous 12 months. The 1968 capital expenditures amounted to over 20% of QNG's gross plant at the beginning of 1968, a remarkably high level. 1969 capital expenditures are estimated at \$28.5 million.

Late in 1968, the daily contracted demand (supply) of gas to Quebec Natural Gas was increased by 32,500 Mcf (thousand cubic feet) per day. In November 1969, a further increase will bring total contracted daily demand to 160,000 Mcf per day. The Company is also constructing a \$7.5 million LNG (liquefied natural gas) plant in Montreal. The plant, scheduled for completion this summer will have storage capacity equivalent to one billion cubic feet of natural gas and should result in significant operating economies.

Quebec Natural Gas currently serves about one-third of the potential large industrial and residential customers in its service area, and less than 20% of its potential small industrial and large commercial customers.

With increasing market penetration, and more balanced supply-demand patterns, we estimate 1969 earnings at \$4.8-\$5.0 million.

ONTARIO DIVISION

During 1968, the Ontario division acquired as customers 80% of all new residential housing built on mains. Major new industrial customers included Canada Foils at Bracebridge, the Canadian Forces Base at Trenton, Allied Chemical at Falconbridge, Mathieu Lumber at Atikokan, Kraft Foods at Ingleside and Inco's Murray Mine near Sudbury. In addition, the Algoma Steel Company at Sault Ste. Marie concluded a contract in February 1969 for 10MMcf/day, increasing to 22 MMcf/day in 1971.

Load factor was maintained at an extremely efficient 92.3% during the year. This should be maintained or even improved in 1969 and subsequent years with the addition of the LNG plant at Hagar and a dispatch computer in North Bay.

With the increased industrial sales and the operating economics noted above, an earnings increase of 10% to about \$4.4 million would seem to be easily attainable.

MANITOBA DIVISION

Greater Winnipeg Gas now serves 98,775 customers in the Metro Winnipeg, Selkirk and Gimli areas, and was successful in obtaining as customers 98% of all new residential construction built in the area in 1968. Major industrial customers added during the year included the Calvert of Canada (Distillers Corporation) distillery at Gimli and the Air Canada cargo terminal at Winnipeg.

Total revenue in 1968 was \$24.6 million, compared to \$23.9 million in 1967. Net income totalled \$2.8 million, compared to \$3.1 million in 1967. The drop in net income was due to weather that averaged 6% warmer than in 1967 and to rate reductions instituted on September 1, 1968.

These rate reductions will reduce Greater Winnipeg Gas' earnings by an estimated \$500,000 on an annual basis, some of which was reflected in 1968. On the other hand, the reduced rates could increase consumption of both existing and new customers.

On balance, we estimate 1969 earnings will experience another moderate decrease to about \$2.6 million.

ALBERTA DIVISION

Canadian Industrial Gas and Oil is the largest division of Northern and Central in terms of profit contribution, accounting for almost 39% of Northern and Central's consolidated net income in 1968. Because its operations are non-regulated, and because it is following an aggressive exploration programme, it also offers the most interesting long-term potential.

Net income of CIGO was up 10½% in 1968 to \$6.44 million from \$5.83 million in 1967. A special credit of the gains on disposal of assets was down from \$325,000 to \$94,500, reducing the gain in total net income to just over 6%. Cash flow was up 13% to \$10.7 million.

The Company enjoyed moderate increases in all areas of sales and production of oil, gas, and condensates in 1968, and anticipates further improvement in 1969. A 7% increase in earnings would imply a level of about \$7.0 million.

CIGO is also engaged in an aggressive exploration programme and expects to spend about \$12 million in 1969. The Company has obtained broad exposure in exploration plays in several areas of Canada and overseas.

It has acquired a 100% interest in 220,000 acres of priority application for Federal leases on the North Slope of Alaska (some distance south of Prudhoe Bay); a 100% interest in 1,190,000 acres in the Arctic Islands; a 100% interest in 327,000 acres offshore the Northwest Territories in the Beaufort Sea; a 100% interest in 1,405,000 acres offshore in Hudson Bay; and 1,000,000 acres offshore the east coast of Labrador. Extensive filing has been done in all of these regions by the industry over the past year. Drilling by others is planned in Hudson Bay and offshore the east coast this year.

In addition to its Arctic Islands' holdings mentioned above, CIGO has a .68% equity interest in Panarctic Oils Limited which plans a \$20 million exploration programme in the Arctic Islands over a three-year period. CIGO has also committed 823,000 acres of its permits to Panarctic and through its 78%-owned subsidiary, Prairie Oil Royalties Company Ltd., it has committed a further 215,000 net acres. The first well in the Panarctic programme has been licensed on its subsidiary's holdings on Melville Island and drilling operations are expected to get underway later this month.

In the United Kingdom sector of the North Sea, interests of 20% and 50% are held in a total of 770,000 acres. Two wells are slated to be drilled on these properties in 1969.

CIGO has a 12½% interest in the reported Devonian oil find at Senex Creek in northern Alberta some 200 miles southeast of Rainbow. Due to the confidential status of the well, no details are available but indications are that the productive horizon is the Keg River. Rather than having thick payzones over a small area as was the experience at Rainbow and later at Zama, it is postulated that a thinner payzone over a larger area may prove to be the case at Senex Creek. At the time of writing, five wells are drilling or licensed for drilling in the immediate area of the strike.

The Company has also become significantly involved in minerals exploration. The following comments on this aspect of their activities are taken from CIGO's annual report:

"Wollaston Lake During the summer of 1968, Gulf Minerals made what appears to be a highly significant uranium discovery in the Wollaston Lake area of Saskatchewan. The Company was successful in obtaining two well-located permits in the vicinity of Gulf's discovery. Agreement has been reached on an option basis for a third company to carry out during the next three years an extensive exploratory programme on these holdings to earn an interest. Early in 1969, a third permit in this region, located in extreme northwestern Manitoba, was acquired by the Company.

Uranium City Area Since May, 1968, the tempo of exploration activity in the Uranium City area has intensified considerably, and promises to be still greater during 1969. One of the foremost reasons for this activity was the discovery of a copper-silver showing about ten miles northwest of Uranium City. This is a new type of mineralization for the area and could have considerable significance. Since September the Company has pursued a course of aggressive property acquisition and now has interests in option agreements or the ownership of more than 1,200 claims.

Anglesey At Parys Mountain on the Isle of Anglesey, North Wales, delineation of the "White Rock" lead-zinc-copper zone is essentially completed and tests currently are being run on samples of the ore to determine possible methods of concentration. Exploration at present is being focussed on the "North Zone" where copper mineralization has been encountered over an indicated strike length of 1,300 feet which is open on either end and at depth. Thicknesses up to 300 feet have been penetrated, suggesting the possibility of very large ore tonnages. Two diamond drill rigs are currently in operation at the site. Some of the drilling results in this zone are tabulated below.

Hole No.	Location	Average % Copper	Thickness in Feet	Including
M10		0.49	309 feet	0.87% over 47 feet and 0.95% over 33 feet.
M1	420 feet easterly from M10	0.91	275 feet	1.40% over 72.5 feet
17A	415 feet easterly from M1	0.71	285 feet	1.05% over 35 feet and 1.21% over 55 feet
M4	500 feet updip from 17A (southerly)	1.10	30 feet	
30	480 feet easterly from M4	3.45	20 feet	"
		*	*	

While there is no reason to expect that these CIGO exploration plays will have an impact on 1969 earnings, it is apparent from the breadth of the exposure to mineral and oil and gas plays that there could be significant impact on earnings if one or more projects met with success.

Late in 1968, Northern and Central reduced its interest in CIGO by selling about 500,000 of its shares. At the year-end, its interest was 79.5%.

EARNINGS

The following table shows the contribution to total net income of each of Northern and Central's four major divisions. The 1968 figures are derived from Northern and Central estimates and reflect certain head office costs partially assigned to the Manitoba and Quebec divisions. 1969 projections are our own.

	1968	1969E
Canadian Industrial Gas & Oil.....	\$5.6 million	\$5.4 million
Ontario Division.....	4.0 "	4.4 "
Quebec Natural Gas.....	2.2 "	2.7 "
Greater Winnipeg Gas.....	2.6 "	2.5 "
Interest Savings (1).....	—	.6 "
TOTAL.....	\$14.4 million	\$15.6 million
Per share (after preferred dividends of \$2.8 million)	\$1.01	\$1.10-\$1.15

CAPITALIZATION AT DECEMBER 31, 1968

	Number of Shares	Amount (000)
Long-Term Debt.....		\$248,165
Minority Interest.....		\$ 36,849
Preferred Shares		
First—\$50 par \$2.60.....	150,400	\$ 7,520
\$50 par \$2.70.....	41,192	\$ 2,060
Second Convertible		
\$25 par \$1.06 Series A.....	300,600	\$ 7,515
\$25 par \$1.50 Series B.....	1,319,975	\$ 32,999
Common Shares n.p.v.....	11,494,345	

- (1) The Company realized \$7.9 million net on sale of shares of CIGO and purchase of Quebec Natural Gas shares. Interest savings have been imputed at an arbitrary rate of 8%.

The estimates above imply 10-15% growth in earnings per share for Northern and Central in 1969. While the individual results may vary from the above estimates, we believe the aggregate projection is reasonable. It takes into account an assumed 7% increase in net income of CIGO, with Northern and Central's interest reduced to 79½%, an assumed 10% increase in QNG earnings with Northern and Central's interest increased to 70%, a 10% increase in the Ontario Division, and a 5½% decline in Greater Winnipeg Gas earnings (part of which does not appear because of rounding).

We believe the 10-15% growth rate in earnings per common share is maintainable into the early nineteen-seventies without major new developments, and that this growth rate adequately justifies the current price of close to \$20 on the common stock.

As indicated in the earlier section on Canadian Industrial Gas and Oil, it is possible that major new sources of income could be developed in the nineteen-seventies which would still further improve the outlook for the stock.

STATISTICAL HIGHLIGHTS

	1968	1967	1966	1965
Income Statement (1) (000)				
Gas Sales.....	\$111,270	\$103,065	\$57,785	\$52,180
Production Sales (2).....	23,559	21,268	19,528	—
Total Operating Revenue.....	134,829	124,333	77,313	52,180
Net Income.....	14,378	12,441	10,761	5,984
Preferred Dividends.....	2,816	2,839	760	760
Earnings—Available Common.....	11,562	9,602	10,001	5,223
Per Share (3)				
Earnings per share.....	1.01	0.84	0.90	0.81
Dividends paid.....	.475	.39	.34	.30
Price Range—High.....	\$ 18.50	\$ 14.38	\$ 17.25	\$ 15.00
Low.....	\$ 10.25	\$ 10.50	\$ 10.88	\$ 11.38
Mean P/E Ratio.....	14.7	14.8	15.6	16.3
Mean Yield.....	3.19%	3.14%	2.42%	2.27%

Notes: (1) Included are figures for the full year in which control was acquired and each succeeding year thereafter of subsidiary companies acquired during the period. The principal subsidiaries and year of acquisition are as follows:

Lakeland Natural Gas Limited.....	1965
Greater Winnipeg Gas Company.....	1965
Canadian Industrial Gas & Oil Ltd.....	1966
Quebec Natural Gas Corporation.....	1967

(2) Represents oil and gas production, industrial gas and liquefied petroleum gas sales of Canadian Industrial Gas & Oil Ltd.

(3) Restated to give effect to a 2 for 1 split of common shares in 1966.

COMMON STOCK QUOTATIONS

(As at April 2, 1969)

Security	Indicated Div. Rate ^o	E.P.S. (Z)	Price	Yield %	P/E (X)
BANKS AND FINANCIAL					
Bank of Montreal.....	.64+.03	1.09	14.50	4.62	13.3
Bank of Nova Scotia.....	.68	1.61	25.25	2.77	15.7
Banque Can. Nationale.....	.64+.03	1.15	12.25	5.47	10.7
Banque Provinciale.....	.44+.04	.89	10.38	4.62	11.7
Cdn. Imperial Bank.....	.64	1.35	22.38	2.86	16.6
Royal Bank.....	.76	1.51	23.75	3.20	15.7
Toronto-Dominion Bank....	.60	1.37	22.63	2.65	16.5
Argus Corporation.....	.56	.70	21.00	2.67	30.0
Guaranty Trust.....	.50	.74	11.13	4.49	15.0
Huron and Erie.....	.52	1.11	15.75	3.30	14.2
Industrial Acceptance.....	1.40	2.30	27.88	5.02	12.1
Investors Group "A".....	0.40	.72	11.13	3.59	15.5
National Trust.....	.68+.06	1.41	21.75	3.40	15.4
Power Corporation.....	.44	.44	12.00	3.67	26.7
Traders Group "A".....	.60	1.11	10.25	5.85	9.2

BREWERS AND DISTILLERS

Canadian Breweries.....	.40	.62	9.88	4.05	15.9
H. Corby.....	1.00+.65	2.98	30.50	5.41	10.2
Distillers Seagrams.....	1.20	3.12	49.25	2.44	15.8
John Labatt.....	.60	.91	23.75	2.53	26.1
Molson "A".....	.72	1.50	26.00	2.77	17.3
Hiram Walker.....	1.20+.25	2.78	41.50	3.49	14.9

CHEMICALS AND TEXTILES

Canadian Industries.....	.60	1.00	17.50	3.43	17.5
Chemcell.....	.24+.05	.61	11.88	2.44	19.5
Dominion Textiles.....	.60	1.66	16.75	3.58	10.1
DuPont of Canada.....	1.00	1.57	35.25	2.84	22.5
Union Carbide Canada.....*	.60	.96	18.88	3.18	19.7

CONSTRUCTION

Canada Cement.....	1.20	1.94	33.50	3.58	17.3
Dominion Bridge.....	.80	1.40	17.25	4.64	12.3

ELECTRICAL AND ELECTRONIC

C.A.E. Industries.....	.30+.03	.52	8.75	3.77	16.8
Cdn. Westinghouse.....*	.50	1.06	17.25	2.90	16.3
Electrohome.....	.40	1.57	26.25	1.52	16.7
FPE Pioneer.....	.56	1.68	25.75	2.17	15.3

HEAVY INDUSTRY

Acklands.....	.24	N/A	18.13	1.32	....
Algoma Steel..... [⊕]	1.00	1.70	18.75	5.33	11.0
Canron.....	1.00	1.45	19.50	5.13	13.4
Dominion Foundries..... [⊕]	.80	2.41	24.63	3.25	10.2
Ford of Canada.....*	5.00+2.50	30.26	285.00	2.63	9.4
Goodyear Tire Canada.....*	Nil	Def.	190.00	....	....
Hawker Siddeley.....	Nil	Def.	3.75	....	....
Hayes-Dana.....	.44	.50	15.00	2.93	30.0
Interprov. Steel.....	Nil	.09	5.75	....	63.9
Kelsey-Hayes.....	.50	.95	16.00	3.13	16.8
Levy Industries.....	Nil	Def.	26.00	....	....
Massey-Ferguson.....	1.00	1.57	23.88	4.19	15.2
Slater Steel.....	.60	1.45	15.75	3.81	10.9
Steel of Canada..... [⊕]	1.20	2.79	25.63	4.68	9.2
Versatile Mfg.....	.24	.57	10.00	2.40	17.5
Westeel-Rosco.....	.60	.64	14.50	4.14	22.7

MERCHANDISING AND FOODS

Atlantic Sugar.....	.25	1.14	6.13	4.08	5.4
Beaver Lumber.....	.50	1.05	18.00	2.78	17.1
B.C. Sugar.....	2.00+.50	3.83	58.00	4.31	15.1
Burns Foods.....	.25	1.68	23.00	1.09	13.7
Cda. & Dominion Sugar.....	1.70	2.32	40.50	4.20	17.5
Cda. Packers.....	.56	1.34	20.50	2.73	15.3
Cdn. Tire Corporation.....	.36	1.79	72.00	.50	40.2
Codville Distributors.....	.18	.50	7.63	2.36	15.3
Crush International.....	.16	.40	10.88	1.47	27.2
Dominion Stores.....	.72	1.30	14.50	4.97	11.2
Federal Grain.....	.40+....	.54	8.50	4.71	15.7
General Distributors.....	Nil	.52	16.50	....	31.7
Horne & Pitfield.....	.10	.41	3.30	3.03	8.0
Hudson's Bay Company.....	.50	1.08	23.00	2.17	21.3
Loblaws Companies "A".....	.38	N/A	6.63	5.73	....
M. Loeb.....	.20	.80	8.50	2.35	10.6
Maple Leaf Mills.....	.80+.05	1.72	19.50	4.36	11.3
Metropolitan Stores.....	Nil	1.94	43.00	22.2	....
Oshawa Wholesale "A".....	.22	.86	36.25	.61	42.2
Salada Foods.....	.40	.86	13.38	2.99	15.6
Shop & Save.....	.40	.97	20.00	2.00	20.6
Simpson's.....	.80	1.87	35.00	2.29	18.7
Simpsons-Sears.....	.48	.94	32.00	1.50	34.0
Steinberg's "A".....	.36	1.11	11.88	3.03	10.7
George Weston "A".....	.75	1.72	17.00	4.41	9.9
Woodward "A".....	.50	.90	17.88	2.80	19.9
Zeller's.....	.24	.50	12.75	1.88	25.5

MINES AND METALS

Advocate.....	Nil	.31	3.35	....	10.8
Alcan Aluminium..... ^{⊕*}	1.19	2.14	32.63	3.62	15.2
Asbestos Corporation..... [⊕]	1.00	1.79	23.00	4.35	12.8
Aunor..... [⊕]	.20	.25	4.05	4.94	16.2
Bethlehem Copper..... [⊕]	.50+.05	1.21	16.50	3.33	13.6
Brunswick.....	Nil	Def.	7.80	....	....
Cdn. Brit. Aluminium "A"....	.40	.90	21.25	1.88	23.6
Cassiar-Asbestos..... [⊕]	.40+.20	.79	20.25	2.96	25.6
Cominco..... [⊕]	1.40	1.93	36.75	3.81	19.0
Conwest Exploration..... [⊕]	.12	.24	9.15	1.31	38.1
Craigmont Mines..... [⊕]	1.00	.78	11.50	8.70	14.7
Denison Mines..... [⊕]	1.40	2.85	58.50	2.39	20.5
Dickenson Mines..... [⊕]	Nil	.12	3.55	....	29.6
Dome Mines..... ^{⊕*}	.80	2.00	86.00	.93	43.0
East Sullivan..... [⊕]	.60	.82	7.40	8.11	9.0
Falconbridge..... [⊕]	3.00+.50	4.88	116.00	3.02	23.8
Giant Yellowknife..... [⊕]	.40+.05	.46	15.00	3.00	32.6
Highland-Bell..... [⊕]	.20	.37	4.55	4.40	12.3
Hollinger..... [⊕]	1.20	2.50	35.00	4.00	14.0
Hudson Bay Mining..... [⊕]	3.40+.60	7.42	87.50	4.57	11.8
International Nickel..... ^{⊕*}	1.30	2.07	40.00	3.23	19.3
Kerr-Addison..... [⊕]	.56	.71	16.75	3.34	23.6
Labrador Mining..... [⊕]	1.60	2.38	35.00	4.51	14.7
Lake Dufault..... [⊕]	.60	.68	6.55	9.16	9.6
Mattagami Lake..... [⊕]	1.20+.30	1.10	14.50	10.34	13.2
McIntyre Porcupine..... [⊕]	2.00	2.82	117.00	1.71	41.5
Noranda..... [⊕]	1.10	2.20	36.63	3.00	16.7
Northgate Exploration..... [⊕]	.54	1.67	17.75	3.04	10.6

Security	Indicated Div. Rate [ⓐ]	E.P.S. (Z)	Price	Yield %	P/E (X)
MINES AND METALS—Continued					
Opemiska Copper.....	.60+.20	.82	10.13	7.90	12.4
Patino Mining.....	.25+.05	.70	27.75	1.08	39.6
Placer.....	1.00	1.30	36.50	2.74	28.1
Rio Algom Mines.....	.40	.59	25.50	1.57	43.2
Sherritt Gordon.....	.30	.54	10.75	2.79	19.9
Silverfields.....	Nil	.48	3.40	....	7.1
Siscoe Mines.....	.07	.16	3.75	1.87	23.4
Steep Rock Mines.....	.30	.48	6.70	4.48	14.0
United Keno.....	Nil	.14	7.50	....	53.6

OIL AND GAS

Banff.....	* Nil	.16	13.25	....	82.8
Cdn. Export.....	* Nil	N/A	8.80	....	....
Cdn. Superior.....	* Nil	.44	53.00	....	20.5
Central-Del Rio.....	ⓐ .22+.02	.51	15.75	1.52	30.9
Dome Petroleum.....	* Nil	3.02	94.50	....	31.2
Great Plains.....	ⓐ .40	1.04	32.75	1.22	31.5
Gulf Canada.....	1.10	2.13	44.63	2.46	21.0
Home "A".....	.35+.15	.83	49.50	1.01	59.6
Hudson's Bay Oil.....	ⓐ* .50	1.38	34.38	1.45	24.9
Husky Oil Canada.....	ⓐ .30	.87	205.0	1.46	23.6
Imperial.....	ⓐ* .50+.03	.78	18.38	2.88	23.6
Numac.....	Nil	Def.	9.40	....	....
Pacific Petroleum.....	ⓐ* .15	.53	33.00	.45	62.3
Petrofina Canada.....	.60	1.31	19.88	3.02	15.2
Shell Canada "A".....	.50	1.62	28.50	1.75	17.6
Texaco Canada.....	.80	2.12	32.25	2.48	15.2
Union Oil.....	* Nil	1.10	40.50	1.10	36.8

PIPELINES

Alberta Gas "A".....	1.50	1.95	42.88	3.50	22.0
Interprovincial Pipe.....	.72	.92	19.00	3.79	20.7
Pembina Pipe.....	Nil	1.01	18.75	....	18.6
Trans Canada Pipe.....	1.00	1.53	42.88	2.33	28.0
Trans Mountain Pipe.....	1.00+.10	1.39	14.75	7.46	10.6
Trans Prairie.....	.40	.88	13.00	3.08	14.8
Westcoast Transmission.....	.25	1.29	29.25	.85	22.7
Western Pacific.....	.25	.31	4.95	5.05	16.0

PULP, PAPER AND LUMBER

Abitibi.....	.36	.60	11.25	3.20	18.8
B.C. Forest.....	1.00	1.97	37.75	2.65	19.2
Columbia Cellulose.....	* Nil	Def.	7.25	....	....
Consolidated-Bathurst.....	1.00	1.36	23.25	4.30	17.1
Crown Zellerbach Cda. "A".....	1.00	1.66	26.50	3.77	16.0

PULP, PAPER AND LUMBER—Continued

Domtar.....	.60	.72	14.63	4.10	20.3
Great Lakes Paper.....	1.00	.86	27.50	3.64	32.0
MacMillan Bloedel.....	1.00	1.86	36.13	2.77	19.4
Price.....	.75	.76	15.88	4.72	20.9
Scott Paper.....	.90	1.79	26.50	3.40	14.8
Weldwood.....	.50	2.10	26.75	1.87	12.7

TRANSPORTATION

Algoma Central.....	.32	.63	9.38	3.41	14.9
Canada Steamship.....	1.00+.30	2.61	35.50	3.66	13.6
Cdn. Pacific Railway.....	ⓐ1.50+1.50	5.13	84.50	3.55	16.5
Kaps Transport.....	.30	.84	21.63	1.39	25.8
TransAir.....	Nil	Def.	7.00	....	....

MISCELLANEOUS

Bow Valley.....	.10	.47	26.13	.38	55.7
B.A. Bank Note.....	2.00+.60	3.36	57.50	4.52	17.1
Imperial Tobacco.....	.70+.10	1.24	13.63	5.87	11.0
Moore Corporation.....	ⓐ .54	1.17	31.38	1.72	26.8
Rileys DataShare.....	Nil	.17	15.75	....	92.6
Rothman's.....	1.00	2.54	18.75	5.33	7.4
Southam Press.....	1.20	2.50	60.00	2.00	24.0

UTILITIES

Bell Telephone.....	2.50	3.27	....	....	....
Brazilian.....	ⓐ* 1.08	3.62	19.00	5.68	5.2
B.C. Telephone.....	3.00	4.93	....	....	....
Calgary Power.....	.80	1.64	25.50	3.14	15.5
Canadian Utilities.....	1.70	3.68	43.00	3.95	11.7
Consumers Gas.....	.72	.95	18.75	3.84	19.7
Great Lakes Power.....	1.20	1.66	19.63	6.11	11.8
Inland Natural Gas.....	.50	.92	15.00	3.33	16.3
International Utilities.....	1.40	2.97	43.63	3.21	14.7
Northern & Central Gas.....	.60	1.01	19.88	3.02	19.7
Quebec Natural Gas.....	Nil	.97	17.25	....	17.8
Quebec Telephone.....	.70	1.19	17.00	4.12	14.3
Union Gas.....	.52	.60	15.50	3.35	25.8

MUTUAL FUNDS

	Ind. Div.	Offering Price	Yield %
American Growth.....	.06	7.77	0.77
Cdn. Investment.....	.16	4.99	3.21
Investors Mutual.....	.16	6.26	2.56
Investors Growth.....	.21	13.49	1.56
Investors International.....	.07½	9.36	0.80
Natural Resources Growth.....	.09	10.02	0.90

(X) Price/Earnings Ratio based on earnings for latest fiscal year.

(Z) Earnings (Loss) per share for latest fiscal year; adjusted for stock splits, etc.; converted into Canadian funds where necessary.

ⓐAs indicated by most recent dividend and/or payments in the past 12 months.

ⓐPayable in U.S. funds. Rates shown in Canadian Funds.

ⓐAccording to the provisions of the Income Tax Act (Canada) Canadian taxpayers are permitted depletion allowances on dividends at rates ranging from 10 to 20%

*Believed to be exempt from Interest Equalization Tax in hands of U.S. residents.

Withholding taxes at the applicable rates will be deducted at source from dividends and interest payable to non-residents of Canada by Canadian companies.

THE INFORMATION CONTAINED HEREIN WAS OBTAINED FROM SOURCES WE BELIEVE TO BE RELIABLE, BUT WE DO NOT GUARANTEE ITS ACCURACY. THIS PUBLICATION IS FOR YOUR CONVENIENCE AND INFORMATION AND IS NOT AN OFFER TO SELL OR A SOLICITATION TO BUY ANY OF THE SECURITIES MENTIONED, IN THE UNITED STATES OF AMERICA OR THE TERRITORIES OR POSSESSIONS THEREOF. EMPLOYEES AND PERSONS HAVING A DIRECT OR INDIRECT INTEREST IN OUR ORGANIZATION MAY HAVE AN INTEREST IN OR PURCHASE AND SELL THE SECURITIES REFERRED TO HEREIN.



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featuring

NORTHERN AND CENTRAL GAS CORPORATION LIMITED

APRIL 1969



RICHARDSON SECURITIES OF CANADA

AFFILIATE OF

James Richardson & Sons Limited
Established 1857



NORTHERN AND CENTRAL GAS CORPORATION LIMITED

To the Shareholders:

Revenues for the first half of 1969 were 8.8% higher than the same period in 1968, increasing from \$74,742,000 to \$81,297,000. Earnings available for common shares, after providing for dividends on preferred shares, were \$9,045,000, compared to \$9,192,000 for 1968.

For the twelve months ended June 30, 1969, revenues were \$143,187,000, compared to \$131,974,000, and earnings available for common shares were \$11,144,000, against \$10,778,000 for the similar period in 1968.

The slight reduction in net income for the first half of 1969 is largely attributable to warmer weather in some areas, delay in reaching contracted demand by several large new industrial customers and to higher interest costs.

Increased costs for money are affecting all industries which rely to any degree on debt capital. In many industries, these and other increased costs may be quickly offset by adjusting the price of products or services to the consumer. However, in government regulated industries, there is an inevitable delay in recovering such costs through increased revenue due to the protracted process of rate application and public hearings. The Company is presently taking steps to apply for rate increases in all appropriate utility operating areas in order to maintain rates of return in keeping

with current costs.

The first drawdown of \$22,500,000 (U.S.) was made on June 17 of the \$46,000,000 (U.S.) 8½% first mortgage bond issue sold earlier this year. The final drawdown will be made in January, 1970.

The Company entered the short-term money market for the first time on July 21, 1969 and, at this date, has successfully sold \$10,000,000 in short-term notes at favourable rates.

Canadian Industrial Gas & Oil Ltd. had a good first half-year with earnings up 10% over the same period of a year ago. The recent exchange offer for the outstanding Canadian common shares of Trans-Prairie Pipelines, Ltd. has been most successful and, at this date, over 90% of the outstanding shares have been obtained. This acquisition will make a significant contribution to CIGOL's earnings. The Panarctic Oils Ltd. well at Drake Point, on lands in which CIGOL holds an interest, has not yet reached its objective depth. However, the presence of gas has been confirmed.

The \$58,000,000 capital construction program of the Company for 1969 is on schedule and within budget.

C. Spencer Clark

Chairman of the Board

Edmund C. Bovey

President and
Chief Executive Officer

August 7, 1969.

1968
\$136,631,000
\$ 14,078,000
\$ 11,262,000
11,494,345
98¢
\$ 5,435,000
50¢
\$420,303,000
46,312,000
595,800
10,994,464
5,846,223

COMPARATIVE STATEMENT OF INCOME (UNAUDITED)

(Thousands of Dollars)

	12 Months Ended June 30		6 Months Ended June 30	
	1969	1968	1969	1968
Revenue				
Sales and other income	\$143,187	\$131,974	\$ 81,297	\$ 74,742
Costs and Expenses				
Operations and maintenance	92,966	86,436	49,579	44,984
Depreciation and depletion	11,980	11,015	6,476	5,712
Taxes, other than income taxes	4,378	3,478	2,323	1,859
Interest	16,149	13,554	8,488	7,195
Provision for income taxes	315	1,266	1,688	2,398
	<u>125,788</u>	<u>115,749</u>	<u>68,554</u>	<u>62,148</u>
Income before minority interests	<u>17,399</u>	<u>16,225</u>	<u>12,743</u>	<u>12,594</u>
Provision for minority interests in subsidiaries				
Preference share dividends	1,144	1,170	570	583
Common share earnings	2,306	1,450	1,729	1,409
	<u>3,450</u>	<u>2,620</u>	<u>2,299</u>	<u>1,992</u>
Net Income	<u>\$ 13,949</u>	<u>\$ 13,605</u>	<u>\$ 10,444</u>	<u>\$ 10,602</u>
Dividends on Preference Shares	<u>\$ 2,805</u>	<u>\$ 2,827</u>	<u>\$ 1,399</u>	<u>\$ 1,410</u>
Earnings Available for Common Shares	<u>\$ 11,144</u>	<u>\$ 10,778</u>	<u>\$ 9,045</u>	<u>\$ 9,192</u>
Earnings per Common Share	<u>\$.96</u>	<u>\$.94</u>	<u>\$.78</u>	<u>\$.80</u>

and paid-in surplus

- 11 Consolidated statement of long-term debt
- 12 Notes to the consolidated financial statements
- 16 Ten year statistical comparison
- 18 Statistical charts
- 19 Northern and Central group of companies
- 20 Map of Canadian operations

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NORTHERN AND CENTRAL GAS CORPORATION LIMITED

4600 Toronto-Dominion Centre, Toronto 1, Ontario

OPERATING SUBSIDIARIES:

ALBERTA

Canadian Industrial Gas & Oil Ltd.
640 Eighth Avenue, S.W., Calgary.

MANITOBA

Greater Winnipeg Gas Company
265 Notre Dame Avenue, Winnipeg 2.

ONTARIO

Ontario Division, Northern and Central Gas Corporation
Limited

4600 Toronto-Dominion Centre, Toronto 1.

Champion Pipe Line Corporation Limited
4600 Toronto-Dominion Centre, Toronto 1.

QUEBEC

Gaz du Québec, Inc.
710 Place d'Youville, Québec.

Quebec Natural Gas Corporation
1717 du Havre St., Montreal 3.

Le Gaz Provincial du Nord de Québec Ltée
9 est rue Perreault, Rouyn.

COMPARATIVE STATEMENT OF SOURCE AND APPLICATION OF FUNDS (UNAUDITED)

(Thousands of Dollars)

	6 Months Ended June 30	
	1969	1968
Earnings Retained in the Business		
Income before minority interests	\$12,743	\$12,594
Costs and expenses not requiring funds (depreciation, depletion, amortization, etc.)	6,836	6,032
	19,579	18,626
Less: Dividends on preference shares	(1,969)	(1,993)
Dividends on common shares	(3,182)	(2,573)
	14,428	14,060
Add Financing and Acquisitions		
Issue of funded debt	24,279	—
Issue of common shares	1,212	217
Increase (decrease) in bank loans	(9,408)	13,457
Proceeds from sale of shares in subsidiary company	2,448	—
	18,531	13,674
Less: Retirement of long-term debt	(4,092)	(2,960)
Financing expenses	(213)	(29)
Preference shares purchased for redemption	(212)	(310)
Acquisition of shares of subsidiary companies	(2,060)	(65)
	11,954	10,310
Less Other Items		
Increase (decrease) in working capital	(1,168)	3,627
Increase in mortgages receivable	3,756	1,884
Other—net	(30)	99
	2,558	5,610
Net Funds Applied to Property, Plant and Equipment	\$23,824	\$18,760

Printed in Canada

file 1



NORTHERN AND CENTRAL GAS CORPORATION LIMITED

INTERIM REPORT

June 30, 1969

Results in brief

	1969	1968
Sales and other revenues	\$149,880,000	\$136,631,000
Consolidated net income	\$ 12,275,000	\$ 14,078,000
Net income applicable to common shares	\$ 9,496,000	\$ 11,262,000
Common shares outstanding at year end	11,692,195	11,494,345
Earnings per common share	81c	98c
Dividends paid on common shares	\$ 6,684,000	\$ 5,435,000
Dividend rate per common share	60c	50c
Property, plant and equipment — cost	\$498,729,000	\$420,303,000
Reserves		
oil and gas liquids (barrels)	49,746,000	46,312,000
gas (Mmcf)	597,000	595,800
Oil and gas properties		
gross acres	18,152,342	10,994,464
net acres	12,727,674	5,846,223

Contents

1	Results in brief
2	Directors and officers
3	Report to shareholders
7	Consolidated statement of income
8	Consolidated balance sheet
9	Auditors' report
10	Consolidated statement of source of funds for net property additions
10	Consolidated statements of retained earnings and paid-in surplus
11	Consolidated statement of long-term debt
12	Notes to the consolidated financial statements
16	Ten year statistical comparison
18	Statistical charts
19	Northern and Central group of companies
20	Map of Canadian operations

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Directors

E. Ryckman Alexander,
*Vice-Chairman of the Board, Gaz Métropolitain, Inc.,
Montreal, Quebec.*

***Edmund C. Bovey,**
*President and Chief Executive Officer,
Northern and Central Gas Corporation Limited,
Toronto, Ontario.*

John D. Bryce,
*President, Macassa Gold Mines Limited,
Toronto, Ontario.*

***C. Spencer Clark,**
*Chairman of the Board,
Northern and Central Gas Corporation Limited,
Toronto, Ontario.*

E. Jacques Courtois, Q.C.,
*Chairman of the Board and President,
Gaz Métropolitain, Inc.,
Montreal, Quebec.*

Robert B. Craddock,
*Chairman of the Executive Committee,
Gaz Métropolitain, Inc.,
Tucker's Town, Bermuda.*

***Peter D. Curry,**
*Chairman of the Board, The Investors Group,
Winnipeg, Manitoba.*

M. Clifford Deans,
*Chairman of the Board,
Bankers Securities of Canada Limited,
Toronto, Ontario.*

Paul G. Desmarais,
*Chairman of the Board and Chief Executive Officer,
Power Corporation of Canada, Limited,
Montreal, Quebec.*

***Edward A. Galvin,**
*President, Canadian Industrial Gas & Oil Ltd.,
Calgary, Alberta.*

A. Searle Leach,
*Chairman of the Board, Federal Grain Limited,
Winnipeg, Manitoba.*

V. Theodore Low,
*Partner, Bear, Stearns & Co.,
New York, N.Y.*

Donald McKelvie,
*President, Northern Telephone Limited,
New Liskeard, Ontario.*

***Harold C. F. Mockridge, Q.C.,**
*Partner, Osler, Hoskin & Harcourt,
Toronto, Ontario.*

Blanche Noyes,
*Partner, Hornblower & Weeks-Hemphill, Noyes,
New York, N.Y.*

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*Chairman of the Board, Investors Mutual of Canada Ltd.,
Winnipeg, Manitoba.*

Peter N. Thomson,
*Deputy Chairman of the Board,
Power Corporation of Canada, Limited,
Montreal, Quebec.*

***William I. M. Turner, Jr.,**
*President, Power Corporation of Canada, Limited,
Montreal, Quebec.*

John R. Yarnell,
*Vice-President,
Consolidated-Bathurst Limited,
Montreal, Quebec.*

Officers

C. Spencer Clark,
Chairman of the Board

Edmund C. Bovey,
President and Chief Executive Officer

Donald G. Clark,
Executive Vice-President

Adolph M. Hove,
Senior Vice-President, Utilities

W. Ralph Howard,
Vice-President, Legal and Secretary

Timothy G. Sheeres,
Vice-President, Finance

Alick S. G. Duguid,
Treasurer

John L. L. Orbach,
Vice-President, Overseas

Peter F. Scully,
Assistant Secretary

Mart Pedel,
Assistant Treasurer

Jean-J. Leroux,
Executive Vice-President, Ontario

F. Irving Yewman,
Vice-President and General Manager, Ontario

Arthur R. Elliott,
*Senior Vice-President, Winnipeg
President, Greater Winnipeg Gas Company*

Robert B. Craddock,
*Senior Vice-President, Quebec
Chairman of the Executive Committee,
Gaz Métropolitain, Inc.*

Edward A. Galvin,
*Executive Vice-President, Production
President, Canadian Industrial Gas & Oil Ltd.*

Report to Shareholders

To the Shareholders:

Your directors are pleased to present the Company's financial statements for the year ended December 31, 1969, and to review the growth and progress of Northern and Central Gas Corporation in its various divisions.

Highlights of the past year include improvement in sales in the utilities, completion and effective system integration of the liquefied natural gas (LNG) plant in Montreal, and two major expansions by your Company's subsidiary, Canadian Industrial Gas & Oil Ltd., (CIGOL).

The continued rise in overall business expenses, so prevalent throughout Canadian industry, while not reducing your Company's growth during the past year, did, however, have an adverse effect on earnings. Due to higher operating and financing costs, the Company experienced a year in which, despite increased revenues, sales and customer demand, profits per share declined from \$0.98 in 1968 to \$0.81 in 1969. Total revenues rose almost 10% from \$136,631,000 in 1968 to \$149,880,000 in 1969, while net income declined 12.8% from \$14,078,000 in 1968 to \$12,275,000 in 1969. Cash income was \$30,797,000 in 1969, up 7.7% from \$28,596,000 in 1968.

Your Company's gas distributing subsidiaries added 13,400 new customers during the year, bringing the total number of customers served to more than 401,000. The increased consumption which these new outlets will provide should have a beneficial effect on earnings in the current year. Total sales for the year were 167,436,924 Mcf

(thousand cubic feet) compared with 148,462,652 Mcf in 1968.

The combined utility system of Northern and Central Gas Corporation now consists of approximately 746 miles of transmission lines and 3,950 miles of distribution lines. It connects at 63 points with the transmission line of TransCanada PipeLines. Serving, as it does, communities totalling nearly one-fifth of Canada's population, your Company has developed one of the largest fuel distribution systems in North America and commands extensive resources for further energy distribution and services in this burgeoning nation.

White Paper Proposals Inhibit Investment

As noted in the nine-month interim report, the Company is continuing efforts on your behalf to effect remedial measures on the government's White Paper proposals on tax reform. The contemplated proposals would, if enacted into law, inhibit incentives for investment in energy-producing and distributing industries by reducing the after-tax yield on dividends paid to shareholders.

Efforts to prevent the adoption of these proposals are being co-ordinated by your management on two fronts: one, in the name of your Company and, two, in conjunction with the endeavours of the Canadian Gas Association. A formal brief has already been presented to the Minister of Finance, the Hon. E.J. Benson, outlining the gas industry's position on this matter. The Company is hopeful that, through these concerted efforts, the government will become more aware of the interrelationship which exists

between the utility industries and the needs of an expanding national economy and will acknowledge this awareness in the deletion of the discriminatory proposals from its contemplated tax reform legislation.

Strong Focus On Exploration Interests

Your Company is particularly encouraged by the continued initiative shown by Canadian Industrial Gas & Oil Ltd. (67% owned) in exploration and development. In 1966, when Northern and Central, in a move to diversify its activities, acquired control of CIGOL, it was already a successful independent oil and gas company. Since then, it has maintained and increased its aggressive policy of acquisition, exploration and development, and its share of the market which it serves. Since that time, CIGOL's assets have grown from \$57,875,000 to \$97,199,000 in 1969.

CIGOL's revenues in 1969 were \$33,828,000, compared with \$29,616,000 in 1968, while net income was \$8,238,000, compared with \$8,196,000 for the same years. Cash flow was \$14,513,000 for the year, compared to \$14,379,000 in 1968.

During the year, CIGOL made a share exchange offer for Trans-Prairie Pipelines Ltd. and, at year end, held 95% of the outstanding common shares of that company. Trans-Prairie Pipelines has substantial interests in oil gathering and transmission facilities in the major producing areas of Manitoba, Saskatchewan and British Columbia.

In the fall of 1969, CIGOL entered into an agreement with Entreprise de Recherches et d'Activités Pétrolières (ERAP), a wholly-owned corporation of the French government. ERAP, in turn, owned 100% of Elf Oil Exploration and Production Canada Ltd.

The agreement between CIGOL, ELF and

ERAP provides CIGOL with a 10% interest in Elf in exchange for a commitment from CIGOL to spend approximately \$23,000,000 in exploration and drilling of the areas in which Elf retains oil and gas rights.

Of interest to shareholders is the fact that Elf is a permit holder in the Mackenzie River Delta area in which an oil discovery was reported earlier this year. Through CIGOL, your Company will have an important stake in this region where the potential for Canada is now being compared with Alaska's Prudhoe Bay oil field, 400 miles to the west.

Elf maintains oil and gas rights in approximately 89,365,000 gross acres (22,619,000 net acres) in Canada. The acreage involved is located in the Canadian Arctic islands, the Beaufort Sea, Mackenzie Delta, Hudson Bay, offshore eastern Canada and the prairie provinces. Elf's five-year exploration budget, including CIGOL's contribution, is approximately \$65 million. With substantial funds and enormous property rights, Elf's prospects for success are indeed promising.

100,000th Customer Signed in Winnipeg

The results for 1969 of Greater Winnipeg Gas Company show total revenues at \$25,629,000, a gain of 3% over 1968, and net income at \$2,549,000, down approximately 8% over the previous year. This lower revenue was the result of a rate reduction of almost 5%, required by the Manitoba Public Utilities Board, which became effective September 1, 1968. In addition, Winnipeg experienced warmer average temperatures throughout the year than in 1968.

Greater Winnipeg Gas acquired its 100,000th customer during the year, with the largest single load addition being the new 32-storey Richardson Building. This is an-



other demonstration of the business community's growing preference for natural gas.

Ontario Division Signs 80% of New Homes

Total revenues for the division were \$50,897,000, a gain of 13.6% over the previous year. Net income, however, was down by 9.8% to \$3,474,000, primarily due to prolonged strikes affecting operations of several large industrial customers and sharply increased municipal taxes and financing costs. The division was successful in obtaining more than 80% of the available market for new residential construction.

Change Of Name In Quebec

In early October, Quebec Natural Gas Corporation changed its name to Gaz Métropolitain, Inc., to reflect more accurately the company's service area. Total revenues rose 11.2% over the previous year to \$47,241,000. Net income dropped 34.7% to \$2,878,000, primarily because of an unusually mild winter and the increased cost of contractual amounts of gas needed to meet possible peak day requirements. The surplus thus created had to be sold at reduced prices. It is anticipated that much of this gas will be upgraded to more profitable outlets during 1970. Earnings for the year were also affected by rising financing costs for the capital expansion program in the Montreal area.

During the year, Gaz Métropolitain completed its new liquefied natural gas storage plant, the largest in Canada. The first completed storage tank has a capacity of 10 million gallons, or the equivalent of 1 billion cubic feet of gas. The Company plans to use the new plant to store large volumes of natural gas in liquid form during summer periods of lower demand. It will then be in

a position to meet increasing peak day demands, without incurring additional demand charges. Developments early this year include the sale of two million gallons of liquefied natural gas for delivery to a United States customer. Plans are being developed to further the use of this unique facility through additional similar sales.

Share Issue In The United States

On March 10, 1970 Northern and Central signed an underwriting agreement providing for the issuance of 1,325,000 common shares (without par value) in the United States at an equivalent price of \$12.75, Canadian per share. The net proceeds to the Company from this issue will be approximately \$15 million, Canadian. The sale of these shares and the anticipated listing on the New York Stock Exchange offers a number of advantages to the Company by opening U.S. financial markets on a public placement basis. The choice of either the Canadian or U.S. markets for future financing should materially improve the Company's ability to raise capital required for expansion.

On January 15, 1970 Northern and Central completed the second drawdown of the previously arranged \$46 million (U.S.) 8½% First Mortgage Bond issue.

Application For Rate Increases

To offset higher costs of operation, the Company is currently formulating proposals for a rate increase in Quebec and has applied to the appropriate authorities for rate increases in Manitoba and Ontario. There is little doubt that such increases are justified in the light of current labour costs, high interest rates and municipal taxes. In this regard, there is a real need for a streamlining of procedures in the regulatory

agencies so as to allow for interim rate increases until a formal rate adjustment hearing can be held. This is the case in many jurisdictions in the United States, enabling regulated corporations to obtain early relief when the cost-rate equilibrium has obviously become upset. In addition, a number of cost-reducing programs have been implemented throughout the corporation during the current year.

Gas Supply Sufficient for Anticipated Demand

Your Company's gas supply contracts meet present demands and will provide for the expected load growth of the utilities for several years.

The Company's long term projection shows a strong continuing demand for new supplies of gas. These projections were the basis of the Company's active participation in the recent hearings before the National Energy Board relative to the applications of five transmission companies to export 9.5 trillion cubic feet of gas to the United States over the next 20 to 25 years. The Company advised the Board that it was imperative to set aside adequate reserves to assure that eastern Canadian consumers would continue to receive adequate supplies at competitive prices and the remain-

ing surplus, if any, could then be exported.

The decision of the National Energy Board on these applications will establish a policy having long term effects on the natural gas industry in Canada as a whole with respect to both export and domestic use.

1969 witnessed disruptive labour strikes, unseasonably warm weather and legislated reductions in consumer rates. All these factors combined to affect the earnings of your Company's utility operations.

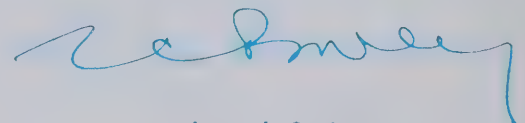
Despite the unsettling elements mentioned, 1969 has seen further strengthening of an already firm corporate structure through expanded operations, corporate acquisitions, and capital investment. The benefits of these activities will become more apparent in the coming years.

Looking ahead, 1970 should prove to be a year of continued growth. More than that, it promises to be one in which the investments made in the past will provide increased earnings.

Sincere thanks are extended to all officers and employees for their contributions to the Company with the confident expectation that, in the year ahead, their efforts will contribute to the further progress of Northern and Central.



C. Spencer Clark
Chairman of the Board



Edmund C. Bovey
President and
Chief Executive Officer

March 12, 1970



Consolidated Statement of Income

for the year ended December 31, 1969 (thousands of dollars)

	1969	1968
		(Restated - Note 1)
Revenues		
Sales and other revenues	\$149,880	\$136,631
Income of subsidiaries acquired in 1969 (Note 1)	682	
	<u>150,562</u>	<u>136,631</u>
Costs and Expenses		
Gas purchases	74,506	65,771
Operations and maintenance	23,667	22,628
Depreciation and depletion	12,834	13,416
Taxes, other than income taxes	4,761	3,914
Income taxes (Note 9)	688	1,025
Interest on long-term debt	14,493	12,675
Other interest - net	3,530	2,181
	<u>134,479</u>	<u>119,410</u>
Income before minority interests	<u>16,083</u>	<u>17,221</u>
Minority interests in subsidiaries		
Preference share dividends	1,127	1,157
Common share earnings	2,681	1,400
	<u>3,808</u>	<u>2,557</u>
Consolidated Net Income	<u>12,275</u>	<u>14,664</u>
Dividends on preference shares	2,779	2,816
Net Income Applicable to Common Shares	<u>\$ 9,496</u>	<u>\$ 11,848</u>
Earnings per share:		
on common shares outstanding at end of year	81¢	98¢
on common shares and common equivalent shares (a)	79¢	96¢
on common shares fully diluted (b)	78¢	94¢

(a) based on weighted average number of shares outstanding during the year, and assuming the exercise of options and warrants outstanding at end of year and the purchase of common shares from exercise proceeds.

(b) assumes, in addition to (a), the conversion of convertible preference shares and the elimination of dividends thereon.



Consolidated Balance Sheet

December 31, 1969 (thousands of dollars)

ASSETS	1969	1968
Current Assets		
Cash and short-term deposits	\$ 4,560	\$ 4,500
Accounts receivable	22,991	21,981
Unbilled gas sales	4,860	4,269
Inventories, at lower of cost or replacement cost	6,326	5,988
Prepayments, advances and deposits	3,488	4,867
	<u>42,225</u>	<u>41,605</u>
Investments		
Mortgages, at cost	16,261	9,076
Fifty-percent owned companies (Note 2)	1,255	774
Other, at cost	3,227	3,717
	<u>20,743</u>	<u>13,567</u>
Property, Plant and Equipment (Note 3)		
Cost	498,729	420,303
Accumulated depreciation and depletion	94,573	74,697
	<u>404,156</u>	<u>345,606</u>
Deferred Charges, at amortized cost (Note 4)	<u>15,351</u>	<u>13,716</u>
Intangible Assets arising from Acquisitions, at amortized cost (Note 1)	<u>39,468</u>	<u>38,079</u>
	<u>\$521,943</u>	<u>\$452,573</u>

Signed on behalf of the Board:

Edmund C. Bovey, Director

C. Spencer Clark, Director



LIABILITIES	1969	1968
Current Liabilities		
Commercial paper	\$ 21,800	—
Accounts payable and accrued	28,757	\$ 25,931
Income and other taxes	2,830	223
Current maturities on long-term debt	7,688	7,969
Other	1,277	541
	<u>62,352</u>	<u>34,664</u>
Bank Loans (Note 5)	53,530	46,350
Long-Term Debt	222,140	201,807
Minority Interests in Subsidiaries (Note 6)	48,781	36,849
Total Liabilities	<u>386,803</u>	<u>321,670</u>
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized		
587,550 First preference shares \$50 each par value, issuable in series		
1,939,975 Second preference shares \$25 each par value, issuable in series		
30,075,530 Common shares without par value		
Issued (Note 7)		
First preference shares		
147,050 \$2.60 cumulative first series	7,352	7,520
40,292 \$2.70 cumulative second series	2,015	2,060
Second preference shares		
259,200 \$1.06 cumulative convertible series A	6,480	7,515
1,317,550 \$1.50 cumulative convertible series B	32,939	32,999
11,692,195 Common shares	56,177	54,194
Paid-in Surplus	7,775	—
Retained Earnings (Note 8)	22,402	26,615
Total Shareholders' Equity	<u>135,140</u>	<u>130,903</u>
	<u><u>\$521,943</u></u>	<u><u>\$452,573</u></u>

Auditors' Report

To The Shareholders
Northern and Central Gas Corporation Limited

We have examined the consolidated balance sheet of Northern and Central Gas Corporation Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of income, retained earnings, paid-in surplus, long-term debt and source of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the matters, in which we concur, referred to in Notes 1 (para 2) and 4(a) to the financial statements.

Toronto, Ontario
February 12, 1970

Riddell, Stead & Co.
Chartered Accountants



Consolidated Statement of Source of Funds for Net Property Additions

for the year ended December 31, 1969 (thousands of dollars)

	1969			1968
	Gas utilities	Oil and gas exploration and production	Total	(Restated-Note 1) Total
Earnings Retained in the Business				
Consolidated net income	\$ 7,085	\$ 5,190	\$12,275	\$14,078
Non-cash items				
Depreciation, depletion, amortization, minority interests, etc.	9,462	9,060	18,522	14,518
	16,547	14,250	30,797	28,596
Less: Dividends on preference shares	(2,779)	—	(2,779)	(2,816)
Dividends on common shares	(6,684)	—	(6,684)	(5,435)
	7,084	14,250	21,334	20,345
Financing and Acquisitions				
Issue of long-term debt	24,590	3,506(a)	28,096	25,000
Issue of common shares for cash	888	—	888	657
Increase in bank loans	5,500	(320)	5,180	16,222
Increase in minority interests	(684)	8,235	7,551	3,920
Profit from sale of shares of subsidiaries	—	1,833	1,833	6,594
	30,294	13,254	43,548	52,393
Less: Retirement of long-term debt	(6,633)	(1,130)	(7,763)	(8,217)
Redemption of preference shares	(213)	—	(213)	(511)
Financing expenses	(559)	(409)	(968)	(788)
Intangible assets arising from acquisitions	(1,389)	—	(1,389)	(2,035)
	21,500	11,715	33,215	40,842
Other Items				
Decrease in working capital	22,900	4,168	27,068	(7,234)
Increase in investments	(6,396)	(780)	(7,176)	(3,448)
Other—net	(1,532)	(86)	(1,618)	(210)
	14,972	3,302	18,274	(10,892)
Net Property Additions	<u>\$43,556</u>	<u>\$29,267(b)</u>	<u>\$72,823(b)</u>	<u>\$50,295</u>

(a) long-term debt of subsidiaries acquired.

(b) includes \$14,006,000 net property and plant of subsidiaries acquired.

Consolidated Statements of Retained Earnings and Paid-in Surplus

for the year ended December 31, 1969 (thousands of dollars)

	Retained Earnings		Paid-in Surplus
	1969	1968	1969
		(Restated - Note 1)	
Balance at Beginning of Year	\$26,615	\$15,056	—
Amount transferred*	(7,029)	—	\$7,029
Profit on sale of shares of subsidiaries	—	6,594	1,833
Adjustment of investment in subsidiary resulting from issues of additional common shares	—	361	(1,087)
Consolidated net income	12,275	14,078	—
Other	4	(296)	—
	31,865	35,793	7,775
Dividends			
Preference shares	2,779	2,816	—
Common shares	6,684	5,435	—
Amortization of intangible assets arising from acquisitions (Note 1)	—	927	—
	9,463	9,178	—
Balance at End of Year	<u>\$22,402</u>	<u>\$26,615</u>	<u>\$7,775</u>

*Represents capital contributions of \$435,000 by minority shareholders of Canadian Industrial Gas & Oil Ltd. and profit on sale of shares of Canadian Industrial Gas & Oil Ltd. of \$6,594,000 to December 31, 1968.

Consolidated Statement of Long-Term Debt

as at December 31, 1969 (thousands of dollars)

	Year of maturity	Due within one year	1969	1968
Northern and Central Gas Corporation Limited				
First Mortgage and Collateral Trust Bonds				
6% Series	1978	\$ 373	\$ 4,025	\$ 4,371
5½% Series	1978	276	2,975(a)	3,231(a)
5¾% Series	1982	250	3,625	3,875
5¾% Series	1983	250	4,875	5,100
6½% Series	1986	450	11,100	11,550
8% Series	1989	—	20,000	20,000
8% Series	1972-1976	—	5,000	5,000
8½% Series	1989	—	22,500(a)	—
6% Notes	1975	140	1,300(a)	1,440(a)
6% Subordinated Notes	1987	—	6,500(a)	6,500(a)
5¾% Subordinated Debentures	1982	248	6,748	7,000
6% Subordinated Debentures	1982	220	6,170	6,367
6% Subordinated Sinking Fund Debentures	1985	192	3,717	3,995
6½% Subordinated Sinking Fund Debentures	1988	660	23,599	24,315
Premium on U.S. funds		—	2,117	327
Greater Winnipeg Gas Company				
First Mortgage Bonds				
5¾% Series A	1978	163	5,200	5,363
6% Series B	1981	125	4,375	4,500
6% Series C	1982	125	4,500	4,625
5¾% Series D	1984	162	6,175	6,307
6% Debentures	1979	75	1,900	1,975
5½% Subordinated Debentures	1980	125	1,525	1,650
Gaz Métropolitain, Inc.				
First Mortgage Bonds				
6% Series	1980	620	9,489	10,109
5½% Series	1980	407	6,193(a)	6,597(a)
6% Series	1987	250	7,188	7,436
5½% Series	1987	120	3,510(a)	3,640(a)
6% Series	1988	150	4,075	4,225
7% Series	1990	180	5,800	6,000
General Mortgage Bonds				
6¼% Series B	1969	—	—	750
6% Series G	1988	250	9,500	9,750
6% Series I	1989	100	2,435	2,500
5¾% Subordinated Debentures	1985	500	18,000	18,500
Premium on U.S. funds		39	713	752
Canadian Industrial Gas & Oil Ltd. and subsidiaries				
First Mortgage Sinking Fund Bonds				
5⅞% Series	1983	650	10,025(a)	10,675(a)
6% Series A	1982	31	1,760(c)	—
6¼% Series B	1973	47	47(c)	—
6½% Series C	1976	200	1,212(c)	—
6¼% Sinking Fund Debentures Series A	1976	80	461(c)	—
Other		118	211	254
Premium on U.S. funds		50	770	820
Other	1984	62	513	227
		<u>\$7,688</u>	<u>229,828</u>	<u>209,776</u>
Current maturities on long-term debt			<u>7,688</u>	<u>7,969</u>
			<u>\$222,140</u>	<u>\$201,807</u>

Notes: (a) Stated in U.S. funds

(b) Long-term debt maturities and sinking fund requirements for each of the four years subsequent to 1970 are as follows:

1971 — \$7,532,000 1972 — \$10,566,000 1973 — \$10,714,000 1974 — \$10,771,000

(c) Long-term debt of subsidiaries acquired in 1969.



Notes to Consolidated Financial Statements

for the year ended December 31, 1969

1. Subsidiaries and principles of consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries; all material inter-company transactions have been eliminated.

The acquisition of subsidiaries for cash consideration (including Gaz Métropolitain, Inc. – formerly Quebec Natural Gas Corporation) in excess of underlying book values at dates of acquisition has given rise to Intangible Assets arising from Acquisitions, which to December 31, 1968 were being systematically amortized to retained earnings. A reappraisal by management of the nature of this item has indicated that no diminution in value has occurred and accordingly the policy of amortization has been discontinued. Had the policy not been discontinued, amortization for 1969 would have amounted to \$921,000.

The acquisitions of subsidiaries resulting from share exchange offers (Canadian Industrial Gas & Oil Ltd. (CIGOL) and certain of its subsidiaries, and Greater Winnipeg Gas Company) have been accounted for on the basis that the consideration attributed to the common shares issued under the exchange offers was equal to the underlying book value of the subsidiaries' shares at dates of acquisition, and accordingly no Intangible Assets arising from Acquisitions have resulted.

The following table shows the principal subsidiaries, their contribution to consolidated net income and the percentage ownership held by the Company at year end:

	1969		1968	
Oil and gas exploration and production				
CIGOL and subsidiaries	\$5,190,000	66.7%	\$5,567,000	79.5%
Gas utilities				
Greater Winnipeg Gas Company	2,533,000	99.4%	2,758,000	99.3%
Gaz Métropolitain, Inc.	1,299,000	73.1%	2,326,000	69.9%

Income since acquisition of subsidiaries acquired by CIGOL during 1969 is shown separately in the Consolidated Statement of Income before deduction of minority shareholders' interest.

1968 income and retained earnings have been restated to reflect a prior period adjustment in 1969 reducing revenues by \$300,000.

2. Fifty-percent owned companies

Investments are stated at cost, together with share of undistributed earnings since acquisition of \$296,000 (\$108,000 at December 31, 1968) and advances of \$344,000 (\$93,000 at December 31, 1968).

3. Property, plant and equipment (in thousands of dollars)

Description	1969			1968
	Cost	Accumulated depreciation and depletion	Net	Net
Oil and gas exploration and production facilities				
Oil and gas properties and equipment	\$ 86,442	\$29,139	\$ 57,303	\$ 45,858
Pipelines and processing plants	32,013	16,029	15,984	5,223
Propane marketing equipment	10,636	2,172	8,464	7,562
	<u>129,091</u>	<u>47,340</u>	<u>81,751</u>	<u>58,643</u>
Gas utility facilities				
Coke plant	16,946	8,777	8,169	7,938
Gas storage	18,027	739	17,288	7,984
Gas distribution	280,835	29,511	251,324	227,339
Rental equipment	37,586	4,882	32,704	26,974
General plant	14,736	3,324	11,412	11,904
Construction in progress	3,780	—	3,780	6,684
Customers' contributions	(2,272)	—	(2,272)	(1,860)
	<u>369,638</u>	<u>47,233</u>	<u>322,405</u>	<u>286,963</u>
	<u>\$498,729</u>	<u>\$94,573</u>	<u>\$404,156</u>	<u>\$345,606</u>



Oil and gas properties include all expenditures related to the exploration for oil and gas reserves, whether or not productive, the costs of which are being depleted on the composite unit-of-production method based on total estimated recoverable oil and gas reserves. Depreciable oil and gas production facilities are being depreciated over their estimated useful service lives at rates varying from 3-1/3% to 25% of cost (such rates have been substantially equivalent to an annual composite rate of approximately 6%).

Depreciation of gas utility facilities is computed on the straight-line method by application of rates varying from 1.25% to 25% of cost to individual classes of tangible depreciable property (such rates have been substantially equivalent to an annual composite rate of approximately 2.5%).

4. Deferred charges, at amortized cost (in thousands of dollars)

Description	Basis or period of amortization	1969	1968
Long-term debt issue expense	Amortized over terms of applicable issue	\$ 7,187	\$ 7,027
Capital stock issue expense	24 years	2,482	2,625
Contributions to customers for conversion to natural gas	12½ to 20 years	2,013(a)	2,205
Rate hearing expense	5 years	380	482
Excess gas costs	10 to 20 years	1,353(b)	587(b)
Special rental appliance expenses	13 1/3 years	991	—
EDP conversion costs	5 years	616	308
Preliminary engineering and other projects	Expensed, amortized, or capitalized on completion	329	482
		<u>\$15,351</u>	<u>\$13,716</u>

(a) Effective January 1, 1969, Gaz Métropolitain, Inc. extended the period during which these expenses are being amortized from 12½ years to 20 years; as a result amortization expense for 1969 has been reduced by \$304,000 before applicable minority interests.

(b) The companies follow the policy of deferring where appropriate certain gas costs. Pursuant to this policy the increase in the cost of gas attributable to delay in the construction of additional pipeline facilities by Great Lakes Transmission Company and a surcharge on winter peaking gas paid to accelerate the construction by TransCanada Pipelines Limited of expanded delivery capacity have been deferred. The amounts so deferred are being written off over periods not in excess of the terms of the gas supply contracts (20 years) to which the deferred costs relate.

5. Bank loans

Bank loans are evidenced by demand notes and are unsecured (except for loans of CIGOL of \$5,150,000 secured on oil and gas production facilities). The Company customarily repays its bank loans from the proceeds of long-term financing. On January 15, 1970, the Company issued U.S. \$23,500,000 8½% First Mortgage and Collateral Trust Bonds due 1989, the proceeds from which were used to reduce bank loans.

6. Minority interests in subsidiaries (in thousands of dollars)

Applicable to	1969	1968
Preference shares	\$20,435	\$21,031
Common share equity	28,346	15,818
	<u>\$48,781</u>	<u>\$36,849</u>

CIGOL and Gaz Métropolitain, Inc. may be required, upon the conversion of preference shares and the exercise of options and warrants outstanding, to issue additional common shares representing approximately 6% and 10% of those companies' common shares presently issued.

**7. Capital stock**

Changes in the Company's issued capital during 1969 were as follows (in thousands of dollars):

	Common shares		First preference shares				Second preference shares			
			First series		Second Series		Series A		Series B	
	Number	Amount	Number	Par value	Number	Par value	Number	Par value	Number	Par value
January 1, 1969	11,494,345	\$54,194	150,400	\$7,520	41,192	\$2,060	300,600	\$7,515	1,319,975	\$32,999
Issued for cash										
Employees' share										
purchase plan	3,393	35								
Incentive stock										
option plan	68,200	841								
Warrants	800	11								
Converted	70,605	1,095					(41,400)	(1,035)	(2,425)	(60)
Redeemed			(3,350)	(168)	(900)	(45)				
Incentive stock option plan	54,852	1								
December 31, 1969	<u>11,692,195</u>	<u>\$56,177</u>	<u>147,050</u>	<u>\$7,352</u>	<u>40,292</u>	<u>\$2,015</u>	<u>259,200</u>	<u>\$6,480</u>	<u>1,317,550</u>	<u>\$32,939</u>

The first preference shares, first and second series, are currently redeemable at \$52.50 and \$51.50 per share, respectively, and do not presently have voting rights. The second preference shares, series A (redeemable at \$27.50 per share) and series B (redeemable at \$26.50 per share after 1975), have voting rights and are convertible into an aggregate of 2,786,310 common shares.

Unissued common shares are reserved as follows:

26,140	Under the employees' share purchase plan, of which 1,529 shares are being subscribed for at prices ranging from \$13.64 to \$17.57 per share
2,307	For the exercise of warrants at prices increasing from \$8.25 to \$15.00 per share and expiring in 1978
799,350	For the exercise of warrants at \$14.00 per share and expiring in 1977
452,848	For incentive stock option plan
<u>1,280,645</u>	

Activity in the Company's incentive stock option plan in 1969 was as follows:

	Number of shares	Grant and exercise price per share
Outstanding at January 1, 1969		
Exercisable	536,400	\$11.875 to \$16.00
Not yet exercisable	None	—
Reserved for future grant	39,500	—
Granted	(a) 33,000	\$16.50
Exercisable	(b) 6,600	\$16.50
Exercised	(c) 195,380	\$11.875 to \$16.00
Expired	4,800	\$11.875
Outstanding at December 31, 1969		
Exercisable	71,800	\$11.875 to \$16.50
Not yet exercisable	297,420	\$11.875 to \$16.50
Reserved for future grant	83,628	—

(a) not including 468,200 options at \$11.875 per share deemed to have been granted in substitution for options previously outstanding

(b) not including 192,380 options becoming exercisable in respect of (a)

(c) resulting in the issue of 68,200 shares for \$841,000 cash and 54,852 shares with no cash payment (\$548 was credited to common share capital and charged to income).

8. Dividend restrictions

The indentures relating to the Company's long-term debt contain covenants on the payment of dividends: under the most restrictive of these covenants retained earnings in the amount of \$3,208,000 at December 31, 1969 were available for the payment of dividends.

9. Income taxes**Gas Utilities**

The companies claim for tax purposes capital cost allowances and certain other deductions in excess of the amounts reflected in the accounts, thereby reducing income taxes which would otherwise have been provided by \$5,200,000 in 1968, \$4,100,000 in 1969, and \$25,400,000 in total to December 31, 1969. Since only the taxes currently payable are allowed or are to be claimed for regulatory purposes in setting consumer rates, the companies follow the taxes payable basis, which is considered appropriate in these circumstances by The Canadian Institute of Chartered Accountants, and make no provision for such reductions.



Oil and Gas Exploration and Production

For income tax purposes the companies have claimed drilling, exploration and lease acquisition costs and capital cost allowances in amounts which, in the aggregate, exceed the related depletion and depreciation provisions reflected in the accounts. As a result income taxes for the year are payable only on the earnings of some subsidiaries, while no income taxes are payable in respect of the earnings reported for the other companies.

It is the companies' policy to provide for deferred income taxes at such time as taxes otherwise payable are deferred as a result of claiming capital cost allowances in excess of depreciation recorded. This policy permits the claiming of capital cost allowances in excess of booked depreciation without providing for deferred tax in its accounts, provided it has other tax deductions available to eliminate taxable income. However, management does not believe that it is appropriate to provide for income taxes deferred as a result of claiming for income tax purposes drilling, exploration and lease acquisition costs in excess of depletion provided in the accounts; while the view of management conforms with general practice in the oil and gas industry, it differs from the tax allocation basis of accounting recommended by The Canadian Institute of Chartered Accountants under which the income tax provision is based on the earnings reported in the accounts.

If the tax allocation basis had been followed for all timing differences between taxable income and reported income, deferred income tax provisions would have been \$2,100,000 and \$2,250,000 for 1969 and 1968, respectively. The accumulated income tax reductions relating to all timing differences in the current and prior years amount to approximately \$14,000,000 at December 31, 1969.

Net Income

Net income of the Company and its subsidiaries, after adjustment to the tax allocation basis in respect of oil and gas exploration and production operations, less applicable minority interests, would have been \$10,952,000 in 1969 and \$12,101,000 in 1968.

10. Commitments

Long-term lease commitments (excluding those with respect to oil and gas properties) amount to approximately \$420,000 per annum and \$3,121,000 in total during the remainder of the commitment periods extending to 1977.

Under an agreement to subscribe for a 10% share interest in Elf Oil Exploration and Production Canada Ltd. (Elf), CIGOL is required to incur drilling and exploration expenditures on mineral rights in Canada owned or controlled by Elf of approximately \$23,500,000 or to make cash payments over a five year period commencing in 1970. The agreement contains provision for the acceleration of the programmed expenditures and, under certain circumstances, for the incurring of additional expenditures.

It is anticipated that the companies will expend in 1970 approximately \$39,000,000 on oil and gas exploration and production facilities, gas utility facilities and other financial requirements, which it is proposed to finance from operating revenues, from the proceeds of long-term financing, and from available lines of credit with chartered banks.

11. Statutory information

The remuneration of directors and senior officers of the Company, paid by the Company and its subsidiaries, aggregated \$742,000 in 1969 and \$580,000 in 1968.

Ten Year Statistical Comparison

(NOTE 1)

	1969
INCOME (Thousands of Dollars)	
Operating Revenues	
Gas sales—gas utilities	
Industrial, firm	\$ 28,836
Industrial, subject to curtailment	16,634
Commercial	21,778
Residential	49,803
Resale	—
Other	4,868
Production sales (Note 2)	24,311
Total Operating Revenue	<u>\$ 146,230</u>
Operating Expenses and Taxes	
Gas purchases—gas utilities	\$ 68,434
Operations and maintenance	29,739
Depreciation and depletion	12,834
Taxes, other than income	4,761
Taxes, income	688
Total Operating Expenses	<u>\$ 116,456</u>
Operating Income	<u>\$ 29,774</u>
Other Income	4,332
Total Operating and Other Income	<u>\$ 34,106</u>
Interest and Other Deductions	
Interest	\$ 17,446
Amortization of debt and capital stock issue expense	577
Minority interests in subsidiaries	3,808
Other	—
Total Interest and Other Deductions	<u>\$ 21,831</u>
NET INCOME (Note 1)	<u>\$ 12,275</u>
EARNINGS AND DIVIDENDS (Note 3)	
Dividend requirements on preference shares	\$ 2,779,000
Net income applicable to common shares	\$ 9,496,000
Common shares outstanding at year-end	11,692,195
Earnings per common share outstanding at end of year	\$.81
Cash dividends paid on common shares	\$ 6,684,000
Cash dividend per common share	\$.575
SYSTEM DATA—GAS UTILITIES	
Miles of pipe at year-end—distribution and transmission	4,696
Expenditures for plant additions (000's)	<u>\$ 43,556</u>
Active utility customers at year-end	
Industrial	1,993
Commercial	25,467
Residential	373,971
Total	<u>401,431</u>
Gas sales—Mcf	
Industrial, firm	54,727,140
Industrial, subject to curtailment	45,247,563
Commercial	26,862,167
Residential	40,600,054
Resale	—
Total	<u>167,436,924</u>



NOTES: (1) Included are figures for the full year in which control was acquired and each succeeding year of principal subsidiaries acquired during the period as follows:

Lakeland Natural Gas Limited	1965
Greater Winnipeg Gas Company	1965
Canadian Industrial Gas & Oil Ltd.	1966
Gaz Métropolitain, Inc.	1967

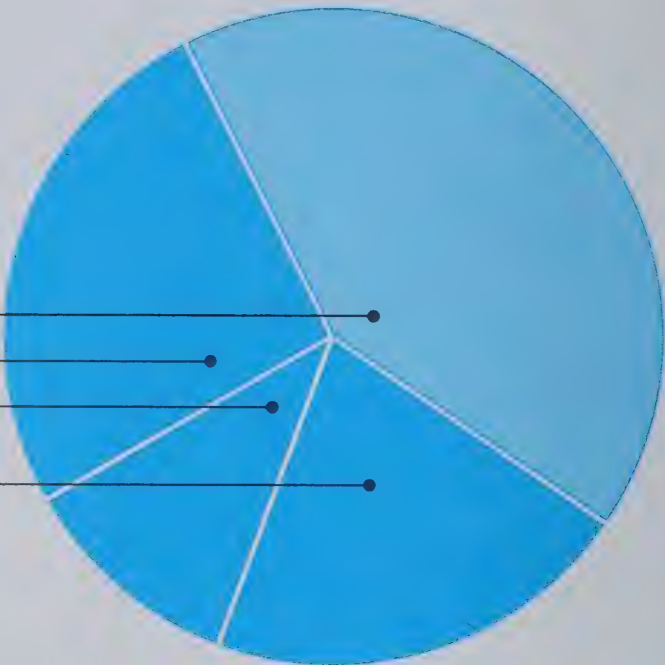
(2) Represents oil and gas production, industrial gas, liquefied petroleum gas and other sales of CIGOL. Income of subsidiaries acquired by CIGOL in 1969 is included as "Other Income".

(3) Restated to give effect to a 2 for 1 split of common shares in 1966.

1968	1967	1966	1965	1964	1963	1962	1961	1960
22,739	20,238	11,767	9,848	6,291	5,424	4,681	4,472	3,828
15,242	12,298	9,081	9,093	6,325	6,048	5,997	5,274	5,403
19,903	18,417	11,798	10,463	3,592	3,176	2,660	2,125	1,555
49,411	45,583	23,469	21,407	7,755	6,656	5,372	3,912	2,401
—	3,586	—	—	—	—	—	—	—
3,675	2,943	1,670	1,369	450	306	130	54	8
23,559	21,268	19,528	—	—	—	—	—	—
134,529	124,333	77,313	52,180	24,413	21,610	18,840	15,837	13,195
59,994	55,971	33,024	29,930	16,028	14,024	12,556	10,635	9,414
28,405	28,232	17,646	6,666	2,652	2,524	2,074	1,864	1,088
11,216	10,188	6,408	2,880	1,091	946	713	430	361
3,914	3,295	1,337	1,180	341	278	259	230	216
1,025	1,289	1,443	1,089	9	8	8	8	9
104,554	98,975	59,858	41,745	20,121	17,780	15,610	13,167	11,088
29,975	25,358	17,455	10,435	4,292	3,830	3,230	2,670	2,107
2,102	1,445	845	453	97	113	178	221	170
32,077	26,803	18,300	10,888	4,389	3,943	3,408	2,891	2,277
14,325	11,737	5,962	4,339	2,163	2,086	1,723	1,536	1,375
531	425	222	203	135	128	99	69	38
3,143	2,123	1,238	294	16	15	19	43	26
—	77	117	68	52	153	90	—	—
17,999	14,362	7,539	4,904	2,366	2,382	1,931	1,648	1,439
14,078	12,441	10,761	5,984	2,023	1,561	1,477	1,243	838
2,816,000	2,839,000	760,000	760,000	114,000	120,000	120,000	120,000	90,000
1,262,000	9,602,000	10,000,000	5,223,000	1,910,000	1,441,000	1,357,000	1,123,000	748,000
1,494,345	11,430,586	11,126,604	6,424,756	3,097,882	2,815,102	2,768,502	2,743,842	2,592,312
.98	.84	.90	.81	.62	.51	.49	.41	.29
5,435,000	4,431,000	3,021,000	989,000	822,000	698,000	346,000	—	—
.475	.39	.3375	.30	.275	.25	.125	—	—
4,445	4,068	2,618	2,388	1,001	968	931	749	703
44,640	32,364	19,947	11,815	3,929	4,243	7,977	4,912	4,761
1,977	1,916	423	402	106	110	96	92	88
24,705	23,651	12,853	11,998	4,221	3,860	3,277	2,755	2,277
366,233	360,279	149,025	136,567	48,607	44,651	39,052	29,539	19,810
392,915	385,846	162,301	148,967	52,934	48,621	42,425	32,386	22,175
13,619,254	38,757,233	24,861,309	20,484,723	13,462,878	11,584,714	10,177,617	9,557,569	8,620,634
12,028,400	33,664,700	25,455,022	25,290,613	17,229,234	16,507,127	16,584,077	14,713,547	14,761,365
23,650,826	22,065,699	15,766,111	13,831,354	4,728,448	4,004,298	3,344,885	2,589,406	1,836,564
19,164,172	37,487,924	22,514,942	20,486,351	6,031,029	5,261,790	4,225,021	3,101,622	1,927,178
—	8,029,587	—	—	—	—	—	—	—
18,462,652	140,005,143	88,597,384	80,093,041	41,451,589	37,357,929	34,331,600	29,962,144	27,145,741

Contribution to Consolidated Net Income

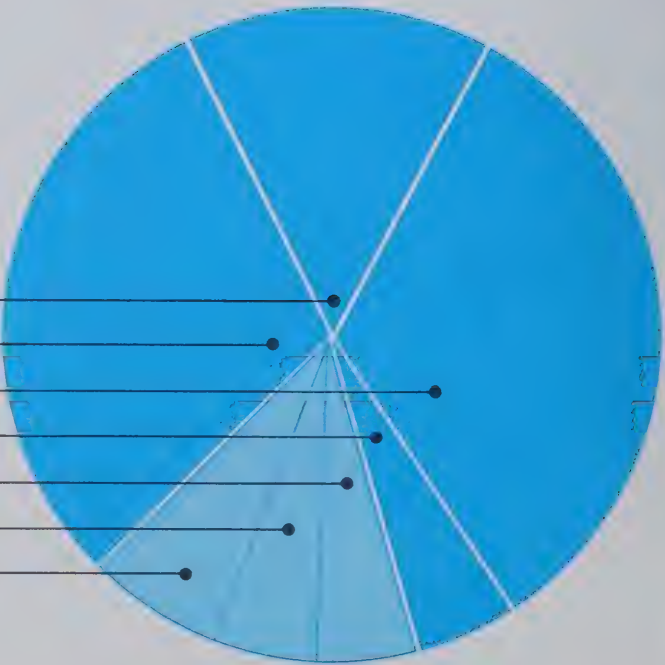
Canadian Industrial Gas & Oil	42%
Greater Winnipeg Gas	21%
Gaz Métropolitain	11%
Ontario Division Northern and Central	26%



- Gas Utilities
- Canadian Industrial Gas & Oil

Sales and Other Revenues

Commercial	15%
Industrial	30%
Residential	33%
Other	5%
Industrial Gas	5%
Liquefied Petroleum Gas	5%
Oil & Gas Production	7%



Northern and Central
Gas Corporation Limited
4600 Toronto-Dominion Centre, Toronto 1, Ontario

Operating Companies:

ALBERTA
Canadian Industrial Gas & Oil Ltd.
640 Eighth Avenue, S.W., Calgary 2.

MANITOBA
Greater Winnipeg Gas Company
265 Notre Dame Avenue, Winnipeg 2.

ONTARIO
Ontario Division, Northern and Central Gas Corporation Limited
4600 Toronto-Dominion Centre, Toronto 1.

Champion Pipe Line Corporation Limited
4600 Toronto-Dominion Centre, Toronto 1.

QUEBEC
Gaz du Québec, Inc.
710 Place d'Youville, Québec.

Gaz Métropolitain, Inc.
1717 du Havre St., Montreal 134.

Le Gaz Provincial du Nord de Québec Ltée
9 est rue Perreault, Rouyn.

Transfer Agents

First Preference Shares, First Series
First Preference Shares, Second Series
Montreal Trust Company
Montreal, Que. • Toronto, Ont.
Winnipeg, Man. • Calgary, Alta. • Vancouver, B.C.

Second Preference Shares, Series A
Second Preference Shares, Series B
National Trust Company, Limited
Montreal, Que. • Toronto, Ont.
Winnipeg, Man. • Calgary, Alta. • Vancouver, B.C.

*First and Second Preference Shares
Listed on Toronto and Vancouver Stock Exchanges*

Common Shares
National Trust Company, Limited
Montreal, Que. • Toronto, Ont.
Calgary, Alta. • Vancouver, B.C.

Montreal Trust Company
Winnipeg, Man.

Chemical Bank
New York, N.Y., U.S.A.

*Common Shares Listed on Toronto,
Montreal, Winnipeg and Vancouver Stock Exchanges*





NORTHERN AND CENTRAL GAS CORPORATION LIMITED

Areas served by the utility companies of
Northern and Central Gas Corporation
and lands in Canada in which Canadian

Industrial Gas & Oil holds oil and gas rights

COMMUNITIES SERVED BY:

- ▲ Greater Winnipeg Gas Company
- Ontario Division
- Gaz du Québec, Inc.
Gaz Métropolitain, Inc.
- Le Gaz Provincial du Nord de Québec Ltée
- Other communities

TRANSMISSION LINES:

- Northern and Central Group
- TransCanada PipeLines Limited
- Great Lakes Gas Transmission
- - - Other



Lands in which CIGOL
holds an interest



MONTREAL AREA

- Gaz du Québec, Inc.
- Gaz Métropolitain, Inc.
- Gaz Métropolitain, Inc.
- Trunk Distribution System
- TransCanada PipeLines



NORTHERN AND CENTRAL GAS CORPORATION LIMITED

4600 Toronto-Dominion Centre, Toronto 1, Canada

1969